

Appendix B. Sector Research: Small Farm Challenges and Opportunities

Small Farm Challenges

There are numerous challenges facing small farmers today. These challenges are playing out in various ways as national trends, California trends, and local trends within Santa Clara County, and include:

- **Consolidation is resulting in increasing farm size and decreasing number of farms.** The 2002 Census of Agriculture – Preliminary Data Report (see Table below) shows a nearly 10% decrease in the total number of farms in California between 1997 and 2002, compared with a 4% decrease nationally. The total acreage in agricultural production during the same period dropped 4% in California, compared with a 1.5% decrease nationally. The average farm size during the 1997-2002 period grew in California from 327 to 347 acres, compared with 431 to 441 acres nationally. In California during the same period, the number of farms of 1-9 acres decreased nearly 20%, while the number of farms of 10-49 acres decreased approximately 5%. Nationally, the number of 1-9 acre farms decreased by about 13% while the number of 10-49 acre farms increased by 6%, for the same period. In general however, the trends are clear: nationally, average farm size is increasing, and in California the number of farms, particularly, those less than 50 acres, is decreasing significantly. In Santa Clara County, the total number of farms decreased by 8% from 1997 -2002.
- **Population growth and urban sprawl are fueling loss of prime agricultural land, especially of small farms.** The Bay Area population is expected to grow by over 1 million people to 7.5 million in the next 15 years. Resulting development will mean the loss of over 500,000 acres of agricultural land, both crop and grazing land. Over 20% of this development is expected to take place in Santa Clara County, where 75% of the existing farms are 50 acres or less.
- **Rising production costs and increased competition from larger farmers and from imported crops threaten small farm viability.** Production costs including equipment costs, inputs, and regulatory compliance, can be higher for operations that do not have the advantage of efficiency of scale. Imported crops are threatening many California commodities, but can be particularly undermining for smaller farms that can not hedge low margins with the profits from vertically integrated operations.
- **Urban edge farming conditions bring additional challenges.** The greatest challenge for urban edge farms is escalating urban edge land values. Even in Agricultural Preserves and designated greenbelts, uncertainty about zoning can fuel speculative land values. Additional challenges include difficulty in finding affordable labor, loss of agricultural services, intolerance from urban neighbors, smog, and increased traffic that impedes movement of farm equipment.

Table 7.1: Number and Size of Farms in USA, CA, and Santa Clara County²¹

	USA		CA		Santa Clara County	
	1997	2002	1997	2002	1997	2002
Total # of farms	2,215,876	2,128,982	87,991	79,631	1,242	1,026
1 to 9 acres	205,390	179,346	27,151	21,827	558	451
10 to 49 acres	530,902	563,772	28,613	27,307	385	325
50 to 179 acres	694,489	658,705	14,874	14,356	147	113
180 to 499 acres	428,215	388,617	8,055	7,741	66	58
500 to 999 acres	179,447	161,552	3,912	3,604	26	26
1,000 to 1,999 acres	103,007	99,020	2,683	2,374	24	21
2,000 acres or more	74,426	77,970	2,703	2,422	36	32

Table 7.2: Market Value of Agricultural Products Sold in USA, CA, and Santa Clara County¹⁶

	USA		CA		Santa Clara County	
	1997	2002	1997	2002	1997	2002
Market Value of Agricultural Products (in \$1,000)	201,379,812	200,646,355	23,280,110	25,737,173	194,848	208,498
Average per Farm	90,880	94,245	264,574	323,205	156,882	203,214

Small Farm Opportunities

For small-scale farmers, all indications are that traditional agricultural practices are no longer economically viable and that problems facing small farmers are exacerbated on the urban edge. Despite this trend, there are counter-indications that small-scale farmers who practice non-traditional diversified marketing and non-traditional diversified production can be and are being successful.

Diversified Marketing

In a traditional marketing scheme, a farmer might sell to one or just a few wholesalers or brokers. Diversified marketing simply means selling products through a variety of marketing outlets, often including wholesale outlets. However, implicit in a diversified marketing strategy is using a number of direct marketing outlets, which maximize return to the farmer. Examples of direct marketing include Farmers' Markets, Farm-to-School programs, Community Supported Agriculture, Farm-to-Restaurant programs, and a variety of on-farm or Agritourism strategies. Table 7.3 shows how these direct marketing strategies are helping farmers' bottom lines.

²¹ From 2002 Agricultural Census, USDA, National Agricultural Statistics Service

Table 7.3: Number and Profit of Farms Selling Direct in USA, CA and Santa Clara and Santa Cruz Counties

	USA		CA		Santa Clara County		Santa Cruz County	
	1997	2002	1997	2002	1997	2002	1997	2002
# of Farms Selling Direct	110,639	116,733	7,268	6,436	113	102	107	103
Value of Ag products sold directly (in \$1,000)	591,820	812,204	78,712	114,356	1,664	1,911	3,439	3,556
Average value of Ag products sold directly per farm	5,349	6,958	10,830	17,768	14,725	18,735	32,140	34,524

Farmers' Markets are the most common and the most rapidly increasing form of direct marketing. Farmers like this strategy because it allows them to have frequent and regular contact with many consumers. Communities support farmers' markets because they offer many benefits including provision of fresh food, agricultural education, development of sense of place, and community building.

National: The number of farmers markets in the United States has grown dramatically, increasing 79 percent from 1994 to 2002. According to the 2002 National Farmers Market Directory, there are over 3,100 farmers markets operating in the United States. For the year 2002, 19,000 farms reported that they sold their products only at farmers' markets.

State: There are around 441 Certified Farmers' Markets in California. Approximately 3,000 farmers are certified to sell direct at markets.

Local: There are 23 farmers' markets in Santa Clara County. Between these 23 markets, approximately 300 farmers sell each week, averaging \$500 per market day. One of these markets was recently started at a Kaiser medical facility. Kaiser is now in the forefront of the promoting the connection between good health and eating healthfully.

Agritourism (i.e., agricultural tourism) refers to businesses conducted by farmers and ranchers on their working agriculture operations for the enjoyment and education of visitors. The purpose is to promote farm products and generate additional farm income. Types of agritourism include u-pick operations, roadside stands, seasonal activities (e.g., pumpkin patches, corn field mazes, Christmas tree farms), farm tours often targeted to students, bed and breakfast operations, working farm stays (e.g. dude ranches), and special event facilities (e.g., weddings, company picnics). Some agritourism businesses operate in the context of a regional agricultural marketing effort, such as a farm-trail organization, appellation, or regional product/practice identify (e.g., Marin Organic, Apple Hill in El Dorado County). Sometimes these regional agricultural marketing efforts produce region-wide agricultural promotion events and seasonal festivals, ranging from simple almond blossom tours to elaborate harvest festival. Some agricultural regions have special cultural facilities and museums that orient visitors to the region and broaden their experience. Examples include COPIA in Napa and the Steinbeck Center in Salinas. In internationally renowned areas, (e.g., Tuscany), agricultural tourism offers integrated cultural, historical, culinary, and agricultural experiences for visitors.

Nature Tourism is a related business. This term refers to a commercial operation that works toward a visitor's enjoyment, understanding, and appreciation of natural areas while conserving local ecological, social and cultural values. Usually nature tourism is offered for a region or nature area of some kind. However, some individual farms that have significant natural areas promote on-farm nature tourism, with activities ranging from bird-watching to duck hunting. Nature tourism is the fastest growing sector in tourism, which overall accounts for 11% of the global economy.

It is well beyond the scope of this project to track national trends in agritourism. California agritourism trends are perhaps best measured by the emergence of new resources designed to support farmer entry into agritourism businesses and to promote agritourism to consumers. These resources include a University of California agritourism workgroup, the development of an agritourism manual for farmers, the development of an agritourism database and website by the UC Small Farm Center, and increased listings in the annual California Agricultural Directory published by the Farm Bureau. At least 600 farms in CA incorporate agritourism into their farm businesses.

Two additional resources that list South Bay agritourism offerings include the Country Crossroads Map and the Central Coast Agritourism Council. There are currently several agritourism operations in the Coyote Valley including nurseries open to the public, a Christmas tree operation, and a farm stand. Live Oak High school is in the planning phases for an extensive school farm that will also function as a community agricultural education resource. Other types of agritourism related operations that are allowable by Santa Clara County land use regulations (Chapter 4.10) include bed and breakfast inns, camps and retreats, seasonal outdoor entertainment, equestrian event facilities and stables.

Steps towards the creation of a successful agritourism operation include development of business and marketing plans, assessment of people skills, permit approvals, purchase of liability and licenses, and not the least understanding of unique features and benefits.

Community Supported Agriculture (CSA) is a partnership of mutual commitment between a farm and a community of supporters that provides a direct link between the production and consumption of food. Supporters help cover a farm's yearly operating budget by purchasing a share of each year's harvest. The farm delivers this 'share' in the form of a weekly box of in-season food to the supporters. The CSA concept depends on and fosters a strong sense of community and cooperation

CSAs thrive where small farms can provide a diverse array of consumer-ready products such as vegetables, fruits, herbs, meats, honey, milk products, and eggs to large urban populations (the market) in close proximity to the farm. Most successful CSA farmers have highly developed people skills and information-gathering skills, and enjoy the complex scheduling and task management that goes with CSAs, including computer literacy. Part of the original aim was to enlist urban people in support of local agriculture.

National: As of December 2001, a total of 761 CSA farms had registered.

State: Currently there are at least 100 CSA programs in California, although updated information is not readily available.

Farm-to-School programs facilitate purchases from local farmers by school food services. Many of these programs have corollary curriculum elements including school gardens, cooking classes, nutrition education, and visits to farms and farmers' markets. This US Department of Agriculture program is a win-win, providing new markets for farmers and helping children eat more healthfully. Broad implementation of the program is challenged by the minimal food cost allowances in most schools, minimal or non-existent school kitchens, untrained staff, and established contracts with one-stop-shopping vendors. Despite these the challenges, the program is growing.

National: 16 states have Farm-to-School programs

State: 30 School Districts in California have Farm to School programs. In Davis, farmers sell \$100-\$800 of produce per month to the school lunch program. On average, this outlet represents approximately 2% of participating farmers' annual income.

Local: There are currently no farm-to-school programs in Santa Clara County. However, the Morgan Hill Unified School District Food Service is eager to explore possibilities. Communication is also planned with the San Jose School District Food Services.

Farm-to-Restaurant relationships are generally one-on-one rather than institutionalized. However, collectively the growing commitment of white table cloth restaurants to supporting locally and sustainably produced farm products is a prominent trend. Restaurants gain by being able to source top quality, fresh, and sometimes custom grown or harvested products and by appealing to a socially and environmentally conscious customer base. Farmers gain from selling to restaurants that appreciate and often pay a premium for differentiated, high quality products, and that sometimes promote the farms by name on menus or in publications.

The ingredient-focused California Cuisine movement was founded in the Bay Area and inspired similar movements across the country. Today, top restaurants throughout the county commonly seek out and feature in their menus the best locally produced foods. The restaurant's distinction has become synonymous with the distinctiveness of the ingredients used.

This approach is standard practice for dozens of high end restaurants in San Francisco and the East Bay. In the South Bay, the number of restaurants that follow this philosophy is increasing. Examples include Parcel 104 and Eulipia in San Jose and Bay Leaf Café, Cool Café, and Stoa's Restaurant in Palo Alto.

Often, there is an intermediary business – restaurant jobber or broker - that facilitates farm to restaurant connections. America Fresh has played that role in the South Bay and now delivers fresh, local, organic food to 45 restaurant customers from Menlo Park to Santa Cruz.

A parallel trend is the emergence of Farm-to-Food Service connections. Bon Appetit Management Company, which has its national headquarters in Palo Alto, is a leading socially

responsible food service company. With its motto “food services for a sustainable future”, this \$300 million per year company serves educational institutions and businesses from coast to coast. Bon Appetit is now bringing its signature “Farm to Fork” program to the cutting edge cafes of its many South Bay clients including Yahoo and eBay. To date, Bon Appetit has only been able to source a small percentage of its food from local, organic sources. Company managers are eager to explore the possibilities for new, entrepreneurial farmers in Coyote Valley to help meet some of this demand.

Diversified Production

Along with diversified marketing, diversified production is the other key strategy for small farm success. Diversified production commonly means production of a wide array of products. It can also mean production of differentiated specialty crops and of value added products. Finally, often diversified production refers to alternative production practices, particularly organic production.

Specialty Crops are fruits, vegetables, and herbs that are either imported or grown on a limited scale in the United States. An item that is a specialty or minor crop in this country could be quite common in another part of the world. More specifically, specialty crops can be defined as the following:

- Unusual or exotic crops
- Unusual or heirloom varieties of common crops
- Unusual maturity at time of harvest (e.g. baby vegetables; tree-ripened fruit)
- High-quality produce due to primarily to flavor and also freshness, appearance, and handling

Dairy and animal products can also be differentiated as specialty often by means of specific production methods that help impart distinctive quality to the products. In the U.S. and California, the number of artisan producers is rapidly increasing, as is a receptive marketplace. The vibrant Slow Food movement seeks out and celebrates artisan products and producers.

Value-Added Many farmers are producing value-added products as another marketing niche and sometimes as a way to extend their marketing season and reach. Value-added means any activity or process that allows farmers to retain ownership and that alters the original agricultural product or commodity for the purpose of gaining a marketing advantage. Common examples of value-added products are processed products, such as jams, juices, pastries, condiments, gift items, etc.

Product labeling is a relatively simple way for farmers to differentiate and add value to their products. By labeling products with information including crop cultivar name, geographical origin, and growing practices, farmers establish their identity in the marketplace. Farmer brand labels also help educate consumers about where the foods come from, who grew them, and what production practices were used.

As noted elsewhere in this report, there is a significant dearth of research about specialty crop production and consumption on a regional basis, a crop/product basis, and certainly on the basis of diversified production operations.

Organic agriculture is an ecological production management system that promotes and enhances biodiversity, biological cycles and soil biological activity. ‘Organic’ is a labeling term that

denotes products produced and certified under the authority of the National Organic Foods Production Act. The principal guidelines for organic production are to use materials and practices that enhance the ecological balance of natural systems and that integrate the parts of the farming system into an ecological whole.

Table 7.5: Number and Profit of Organic Farms in 2002 in USA, CA and SCC

	USA	CA	SCC
# of Farms Certified Organic	116,733	1,443	5
Value of certified organically produced commodities (in \$1,000)	812,204	149,137	347
Average Value of certified Organically produced commodities per farm	6,958	103,352	69,400

Table 7.6: Number and Profit of Organic Farms in 2002 in San Mateo, San Benito, Monterey, and Santa Cruz Ctys.

	San Mateo	San Benito	Monterey	Santa Cruz
# of Farms Certified Organic	5	36	26	33
Value of certified organically produced commodities (in \$1,000)	35	5,823	9,941	2,467
Average Value of certified Organically produced commodities per farm	7,000	161,750	382,346	74,757

In the U.S., sales of organic products increased by 20%-25% annually during the 1990s, and were about \$7.8 billion in 2000. This represents between 1% and 2% of total U.S. food sales, an order of magnitude larger than the share of farmland that is organic.

With the growing health awareness movement, more consumers are interested in eating organically grown produce. Regions where there are not yet many organic farms (such as Santa Clara County) offer a potential marketing opportunity for organic production.